

# 2002/03 FULL YEAR RESULTS

Greg Martin, Managing Director



## KEY FINANCIAL RESULTS



### Reported Performance

EBITDA	\$937.2m	up 34.6%
EBIT	\$687.3m	up 44.2%
Profit Attributable to Shareholders	\$295.0m	up 53.6%
Operating Cash Flow	\$542.2m	up 57.5%
EPS	67.3cps	up 30.4%
Final Dividend	29cps (18c franked)	up 7.0%

### Underlying Performance

Profit Attributable to Shareholders	\$320.8m	up 29.8%
EPS	73.2cps	up 10.2%

## MAJOR ITEMS OF INTEREST



- Pulse Energy
  - Acquisition and integration
  - Financial contribution
- Regulatory outcomes
- Wholesale Gas & Transportation Portfolio
- Rationalisation and reconfiguration of business portfolio
  - Australia
  - NZ
- Power Generation
  - Hallett & Somerton peaking plants commissioned
  - Loy Yang potential investment
- “A” credit ratings affirmed



# FINANCIAL PERFORMANCE



## FINANCIAL PERFORMANCE



	2002 \$m	2003 \$m	Change %
Revenue	3 148.4	4 687.8	+ 48.9
EBITDA	696.4	937.2	+ 34.6
EBIT	476.6	687.3	+ 44.2
NPAT	202.2	339.9	+ 68.1
Outside equity interests	(10.1)	(44.9)	
<b>Profit attributable to shareholders</b>	<b>192.1</b>	<b>295.0</b>	<b>+ 53.6</b>
Less			
Significant Items	(55.0)	(25.8)	
<b>Underlying profit</b>	<b>247.1</b>	<b>320.8</b>	<b>+ 29.8</b>

Portfolio of assets delivering strong financial results...

## SEGMENT ANALYSIS



EBIT (exc. sig items)	2002 \$m	2003 \$m	Change %
Energy Networks			
- Gas	151.3	151.9	+ 0.4
- Electricity	60.8	64.0	+ 5.3
Energy Sales & Marketing	102.2	196.6	+ 92.4
New Zealand	137.6	139.1	+ 1.1
Energy Interests	80.8	104.7	+ 29.6
Agility	46.5	50.5	+ 8.6
Telecommunications	(13.5)	(0.7)	+ 94.8
Other	(13.6)	(17.5)	- 28.7
<b>TOTAL</b>	<b>552.1</b>	<b>688.6</b>	<b>+ 24.7</b>

Benefits of diverse downstream energy portfolio ...

# FINANCIAL PERFORMANCE INDICATORS



	2002	2003	Change
<b>Reported Performance</b>			
- EPS	51.6c	67.3c	+ 30.4%
- OCF/S	92.5c	123.6c	+ 33.6%
- Total Dividend	52.0cps (35c franked)	55.0cps (34c franked)	+ 5.8%
- Return on Equity	9.6%	11.8%	+ 2.2
<b>Underlying Performance</b>			
- EPS	66.4c	73.2c	+ 10.2%
- Return on Equity	12.3%	12.8%	+ 0.5

Strong underlying performance ...

## SIGNIFICANT ITEMS



	2003 \$m
New Zealand	
- Asset Sales	63.7
- TrustPower	(4.0)
- Outside Equity Interests	(23.3)
Telecommunications	
- TransACT	(17.0)
- COMindico	(52.5)*
Property	
- Breakfast Point Sale	13.5
- Rehabilitation Provision	(5.0)
Tax Benefit (Expense)	(1.2)
<b>TOTAL</b>	<b>(25.8)</b>

\* Equity accounted losses of \$52.5m absorb 1H writedown

## CASH FLOW



	2002 \$m	2003 \$m	
<b>Operating Cash Flow</b>	<b>344.3</b>	<b>542.2</b>	<b>+ 57.5%</b>
<b>Less:</b> net capital expenditure	(166.5)	(209.9)	
new investments	(51.9)	(40.2)	
dividends paid	<u>(198.4)</u>	<u>(250.1)</u>	
	(72.5)	42.0	
<b>Add:</b> proceeds from sale of investments	5.7	704.8	
proceeds from issue of shares	<u>191.4</u>	<u>634.5</u>	
<b>Net available</b>	<b><u>124.6</u></b>	<b><u>1 381.3</u></b>	

Improvement in cash flow continues ...

## FINANCIAL POSITION



	2002	2003	Change %
Funds Employed			
- Australia (\$m)	3 343.3	4 463.5	+ 33.5
- New Zealand (\$m)	1 482.7	723.6	- 51.2
EBIT* / FE (%)	11.5	13.8	+ 20.0
Net Borrowings (\$m)	2 484.1	1 977.5	- 20.4
Interest coverage (times)	3.2	3.9	+ 21.9
Gearing (D/D+E) (%)	51.6	38.5	
Average Interest Rate (%)	6.8	6.6	
Debt duration (years)	4.5	4.7	

\* EBIT excluding significant items

Strong financial position, poised for further growth ...

# SEGMENT PERFORMANCE



# ENERGY NETWORKS



	2002	2003	Change %
EBIT (\$m)	212.1	215.9	+ 1.8
EBIT / FE (%)	10.5	10.6	+ 1.0
<b>Volume transported</b>			
- Gas (PJ)	97.2	97.1	- 0.1
- Electricity (GWh)	3 983	4 034	+ 1.3
<b>Customer connections</b>			
- Gas	860 600	888 600	+ 3.3
- Electricity	265 800	272 400	+ 2.5
<b>Network Length</b>			
- Gas (km)	22 800	23 000	+ 0.9
- Electricity (km)	7 100	7 200	+ 1.4

Steady growth going forward ...

	2002	2003	Change %
EBIT (\$m)	46.5	50.5	+ 8.6
Assets under management			
- Gas Transmission	9 300km	9 500km	+ 2.2
- Gas Distribution	26 000km	26 400km	+ 1.5
- Electricity Distribution	7 100km	7 200km	+ 1.4
- Peaking Generation	-	330MW	

#### AGL + related projects

- 6th Stage RBP looping
- Carpentaria Gas compressor station
- Somerton & Hallett commissioning
- GGT compressor station (commenced)

#### 3rd Party projects

- Melbourne Airport - 15 year O&M contract on substation
- Sydney Water - mains contract and pump station upgrade
- Telstra - supply of metering services

Adding diversity to earnings ...

## ENERGY SALES & MARKETING



	2002	2003	Change %
EBIT (\$m)	102.2	196.6	+ 92.4
Energy Volume sold			
- Gas (PJ)	110.5	155.2	+ 40.5
- Electricity (GWh)	15 976	21 208	+ 32.7
Sales Revenue (\$m)	2 022.4	3 106.7	+ 53.6
Customer Numbers*			
- Gas	1.4m	1.4m	
- Electricity	1.7m	1.7m	
EBIT / Sales (%)	5.1	6.3	

\* Including ActewAGL

Pulse makes strong initial EBIT contribution of \$96.2m ...

# ES&M UNDERLYING BUSINESS PERFORMANCE



## Gas

- Primarily NSW
- Volumes up in retail, down in wholesale
- Revenues up overall

## Electricity

- SA, Vic and NSW
- Volumes up in all states, including NSW
- Revenues up overall

## Financial contribution impacted by:




- SA wholesale contract costs from January 2003
- Additional FRC costs
- Platform migration costs in SA



Excluding Pulse, steady performance ...

# MASS MARKET COMPETITION







 <p>NSW</p>	<ul style="list-style-type: none"><li>• Gas -market churn 3.4% for FY 2003</li><li>• Electricity - market churn 3.9% for FY 2003</li></ul>
 <p>SA</p>	<ul style="list-style-type: none"><li>• Gas - market due to open in 2004</li><li>• Electricity - market opened Jan 2003, market churn 0.7% to June 2003</li></ul>
 <p>Vic</p>	<ul style="list-style-type: none"><li>• Gas - market opened Oct 2002, market churn 6.3% to June 2003</li><li>• Electricity - market churn 8.9% for FY 2003</li></ul>

Customer competition varies across regions ...

## JV & OTHER PART-OWNED ENERGY INVESTMENTS



				
AGL Interest	30%	50%	50%	100%
EBIT contribution	\$16.4m up 1%	\$44.4m up 3%	\$12.8m up 33%	\$7.3m
<ul style="list-style-type: none"> <li>Increased effective interest in Goldfields Gas Pipeline to 48%</li> <li>Other growth opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Capital Region retail energy arrangements</li> <li>Acquired Nowra Gas Network</li> </ul>	<ul style="list-style-type: none"> <li>Saudi Contract Price average up but strong margin management</li> <li>Investigating impact of excise from 2008</li> </ul>		

Energy Investments contributing to portfolio returns ...

## NEW ZEALAND SEGMENT



	2002	2003
EBIT contribution (exc. signif. items)	\$132.8m	\$135.9m

- AGL 66% interest
- All business units performing well



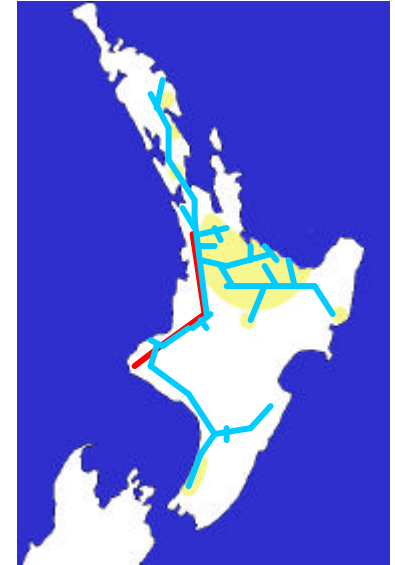
	2002	2003
EBIT contribution (exc. signif. items)	\$4.8m	\$6.0m

- AGL 20.5% interest
- Exited investment in June 2003
- Contribution from 1st half only

# NGC HOLDINGS LIMITED



- Asset sales successfully undertaken:
  - Retail gas
  - Power generation
- Operating Cash Flow up 140.8%
- Capital return now NZ\$525m
- Market leading positions in:
  - Metering
  - LPG
  - Gas transportation

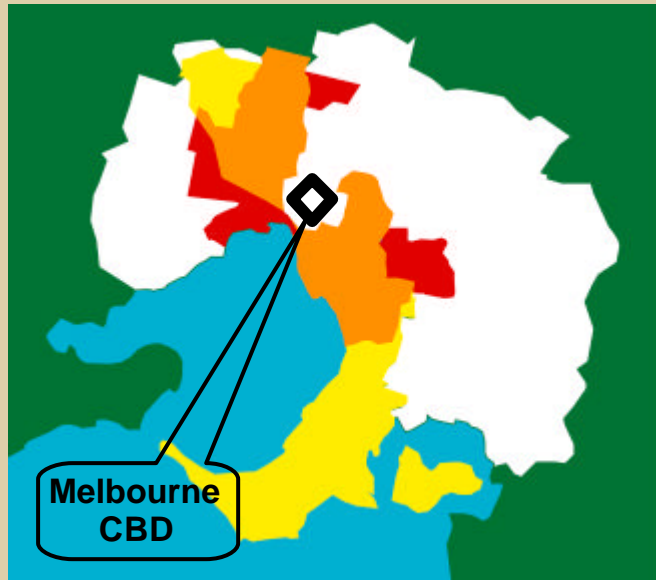


AGL's principal NZ investment ...

# ENHANCING THE BUSINESS PLATFORM



## PULSE ENERGY INTEGRATION



- Combined AGL Vic. customer base:
  - 1.3 million
- Contiguous footprint with pre-existing operations
- Access to Bass Strait Gas
- Tracking to expectations - strong initial contribution
- Now fully integrated into ES&M

■ Gas only   ■ Electricity only   ■ Dual Fuel

Cementing AGL's retail energy market leadership ...

# WHOLESALE GAS PORTFOLIO



- Gas and transportation contracts collectively worth around \$4.5 billion
- 1 408 PJ over 15 years
- Supply flexibility to all key markets
- Long term certainty from diversified and market-competitive gas supplies

Competitive multi-field wholesale gas portfolio ...

## POWER GENERATION STRATEGY



Two distinct elements:

- Positions of vertical integration - where appropriate
- Investments in power generation

Benefits:

- Earnings diversification
- Portfolio diversification
- Additional growth opportunities

Another plank in AGL's business platform ...

## PEAKING POWER GENERATION



### Somerton (Vic)

- Peaking operation
- 150 MW
- Gas fired

### Hallett (SA)

- Peaking operation
- 180 MW
- Gas/distillate fired

### Benefits:

- Enhancing the retail electricity business
- Wholesale electricity risk mitigation




Further investment as demand grows ...

## LOY YANG POWER



- Conditional Share Sale Agreement signed 3 July 2003
- AGL investment of \$200m for 35% stake
- Lowest cash operating cost base load generator in the NEM
- 40 plus years fuel supply

### Loy Yang investment is aligned with AGL strategy:

- 
- Increased investment in important part of energy chain
  - Earning appropriate return on investment in lowest cost base load generator
  - Delivers a natural income hedge



An attractive investment opportunity...

# RECONFIGURING THE PORTFOLIO



## 2002/2003 PORTFOLIO ACTIVITIES



### Australia:

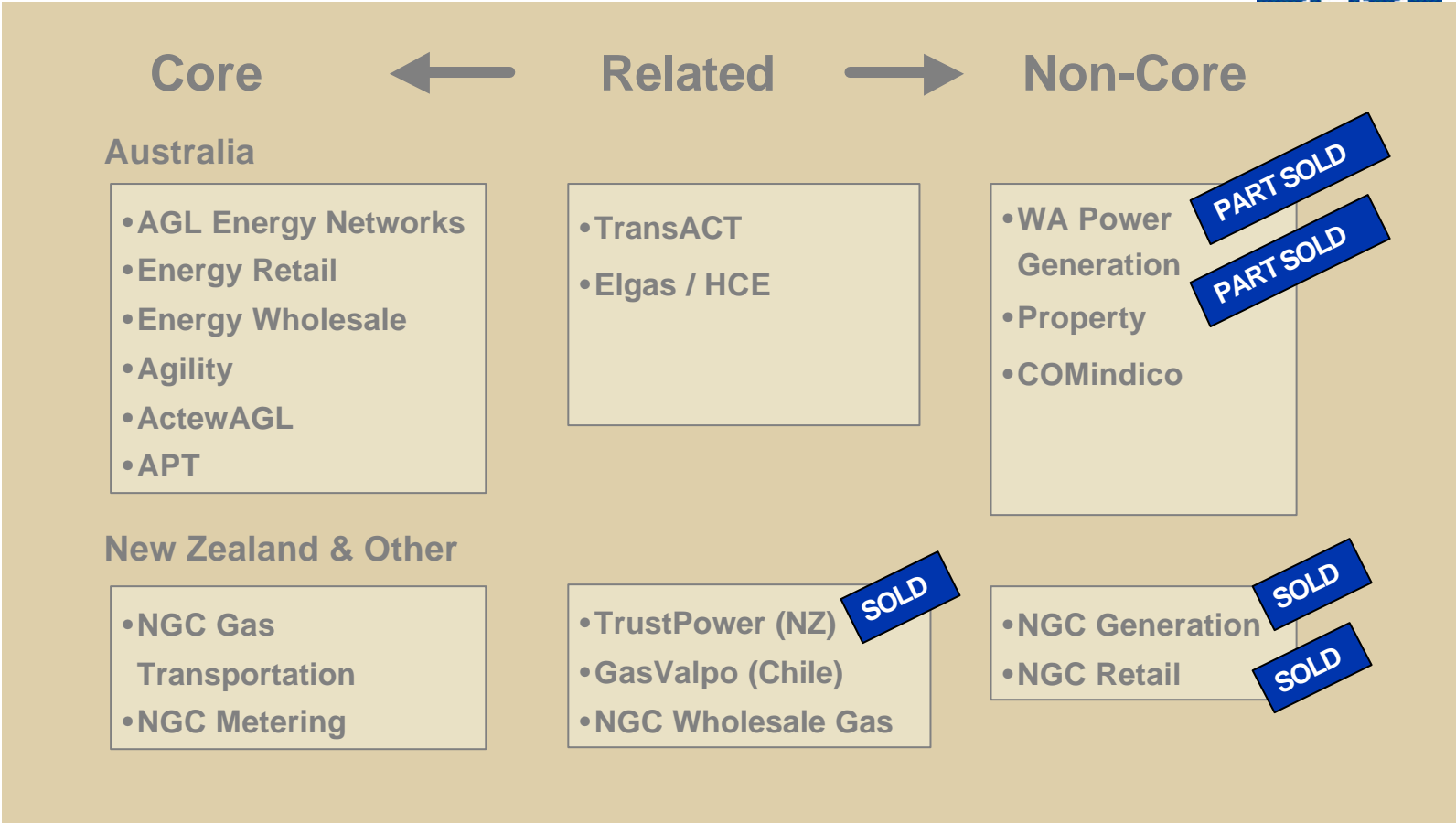
- |   |           |
|---|-----------|
| • Sale of Southern Cross Energy (WA)          | \$11.9m   |
| • Breakfast Point property sale               | \$13.5m   |
| • T'comms writedown & equity-accounted losses | \$(69.5)m |

### New Zealand:

- |   |            |
|---|------------|
| • Disposal of NGC retail gas & power generation | NZ\$735m   |
| • Disposal of TrustPower investment             | NZ\$150.1m |

Good progress on portfolio reconfiguration ...

# MANAGING THE PORTFOLIO



Focus is on core businesses ...

# MANAGING THE PORTFOLIO



## Core

### Australia

- AGL Energy Networks
- Energy Retail
- Energy Wholesale
- Agility
- Energy Investments - ActewAGL, APT, Elgas / HCE

### New Zealand & Other

- NGC Gas Transportation
- NGC Metering
- NGC Wholesale Gas
- GasValpo (Chile)

## Non-Core

- WA Power Generation
- Property
- COMindico
- TransACT

PART SOLD

MOSTLY SOLD

Focus is on core businesses ...

# DELIVERING THROUGH PEOPLE



## LAST YEAR'S COMMITMENTS



- **Delivering Maximum Returns**
  - Integrating Victorian acquisition ✓
- **Completing Energy Platforms**
  - Assessing further opportunities ✓
- **Redefining the Portfolio**
  - Divesting non-core businesses ✓
- **Enabling Change**
  - Leveraging IT capability ✓

## THIS YEAR'S PRIORITIES



- **Performance**

- Focus on enhancing businesses within AGL's core asset portfolio

- **Platforms**

- Power generation investments that fit with strategy

- **People**

- Retail capability and organisational effectiveness

## AGL ICON RETIRES

John Fletcher



- Joined AGL on 17 September 1979
- 16 Years as AGL's CFO
- Admired and respected by AGL colleagues and broader financial community

24 years of dedication to AGL ...

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